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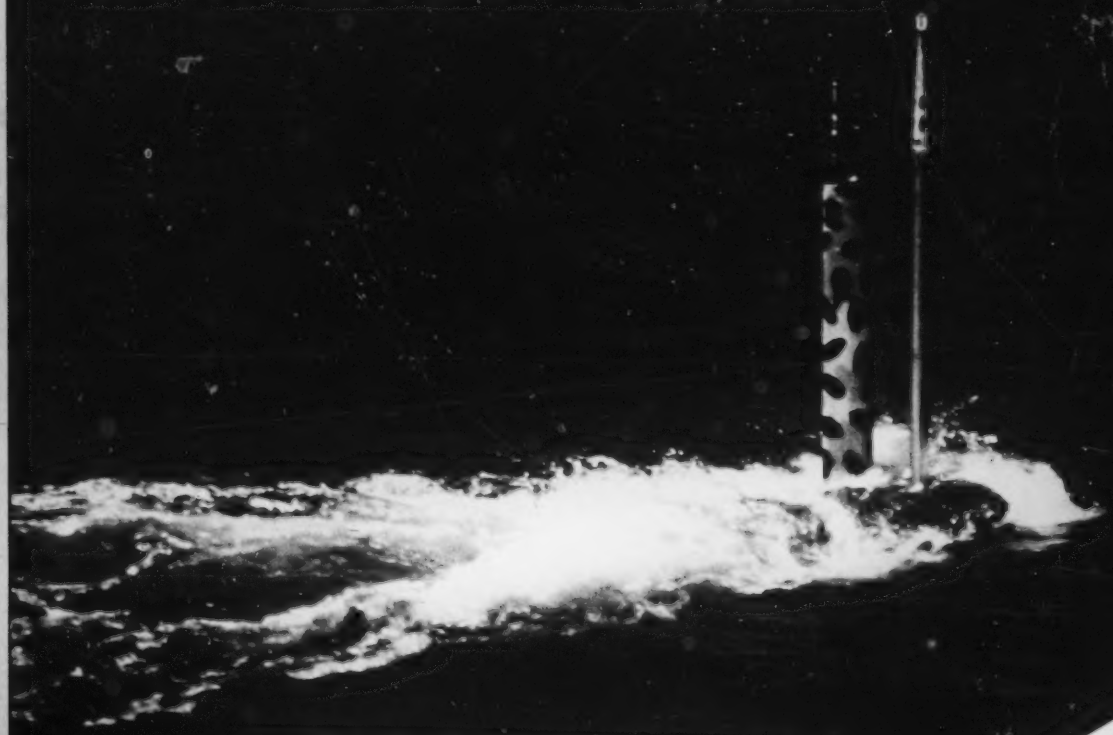
I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry NOV-DEC 1987

Who's Thinking About 2000 A.D.? page 19

The Industry Comes Up for a Look Ahead



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A special look-ahead series of I&T articles starts on page 4.

I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry.

November-December 1987 • Vol. 102 • No. 13

Our Cover Story

This industry is something like a submarine that has been experiencing a depth-charge attack and is now coming up near the surface for a look ahead. The first of a series of articles and reports appears in this issue. (Official U.S. Navy photo by L.H. Jones Jr.)

10: **Distributors are making** some major changes in their operations. An *I&T* survey shows they are shifting more toward industrial and outdoor power equipment lines, but still finding plenty of action is specialized farm equipment.

13: **The development of chemical** lawn care services around the country could produce good sales for farm machinery dealers looking to expand into heavy duty/commercial mowing equipment and related products.

17: **This Minnesota dealer** is getting the data he needs to make decisions that directly affect the profitability of operations. The key is employees understanding their responsibilities and taking action on the information.

26: **How would you like to sell** 100 tractors and 200 mowers in one deal? Gene Fisher did by presenting a convincing package of information and calculating a bid that won him the sale.

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Distributors Are

By Bill Fogarty

TO GET a line on this business, sometimes you go to the biggest companies and ask what they're doing. Three phone calls might do it.

Other times, you survey thousands of dealers, or tens of thousands of farmers, and run tallies on hundreds of items. That's how some of the best basic data has been tracked — in the NFPEDA Cost of Doing Business annual study, for example.

And sometimes you survey a small, specialized segment of the business. If you've picked the right bunch and ask a few good questions, you learn a lot about changes in the industry, not just their own operations.

That's what *I&T* has done. We surveyed members of two organizations involved in marketing specialized farm equipment and related products around North America: the Farm Equipment Wholesalers Assn. and the Agricultural & Industrial Manufacturers Representatives Assn. Each organization has a little over 100 member companies. We received 45 replies, a solid 20 percent response.

These wholesalers and reps are involved in taking manufacturers' products and lodging them in farm, industrial, and lawn and garden equipment dealerships. Basically, wholesalers buy the goods from the manufacturer, warehouse them, and then sell and collect. Manufacturer reps don't take title to the goods, but they make sales to dealers and other basic outlets.

But it doesn't always work that way. Sometimes the wholesalers rep a product and sometimes a rep will take title to the goods. Sometimes a rep takes on a manufacturer's product line and sells it to wholesalers all over the continent. Sometimes a rep manages a warehouse set up by the manufacturer. Sometimes wholesalers and reps get deeply involved in manufacturers' marketing efforts. A few of them own or have owned manufacturing subsidiaries.

These deviations from their basic definitions as wholesalers and reps suggest several characteristics.

1. They are very flexible. They learned years ago that manufacturer-distributor relationships can endure for generations or change overnight. If they overcommit themselves to one or a few product areas, they may suffer severely when business conditions change.

2. More than anything, they are sales organizations that know their own territories. Warehouses may be

The Big Shift

Wholesalers, reps moving out of ag, into industrial, lawn and garden lines

Distributors have been working at diversifying, mostly away from agricultural lines and into industrial and lawn and garden lines, both consumer and professional. But we didn't realize the extent of the shift until we compiled these percentages.

	Percent of Sales Volume:		
Product Area	**1984**	**1987**	**1990**
Agricultural	61	52	43
Industrial	17	19	19
Outdoor power equipment			
Consumer lines	15	16	21
Professional	7	13	17

Promotion Backup

Distributors put a high value on those manufacturers who do a quality job of telling the market about their products. *I&T* asked, "Of all the suppliers you do business with, name the one who does the best job of product promotion: advertising, supplying literature, etc." Some of our 45 respondents named more than one. Here are all the ones mentioned, with frequencies in parentheses.

Brillion Iron Works (6)
Automatic Equipment (4)
Du-Al Mfg. Co. (4)
BEECO, Inc. (3)
Great Plains Mfg., Inc. (3)
Kuhn Farm Machinery (3)
Acme-Planet Sales
Adams Hard-Facing
Bush Hog
Custom
Products Unlimited
Danuser Machine Co.
Dixon Industries, Inc.
Dutchmen Mfg. Co.
Eaton Co.
Farmhand, Inc.
FIMCO, Inc.
Finest Bros., Inc.
Goosen Industries
Hardi, Inc.
Henke Machine, Inc.
C.C. Kelley & Son, Inc.
Kent Mfg. Co.
Kioti Tractor, Inc.
Kverneland S/A
Lagmoor Sweeper
Modern, Inc.
Peterson's Sweeper
Simplicity Mfg. Co.
Sunflower Mfg. Co.
Taylor-Pittsburgh Intl. Div.
TISCO
Tye Co.
White Outdoor Power
Woods Div., Hesston
Yetter Mfg. Co.

Making Changes

helpful, but the skills they use to find a new market opportunity or sustain an existing one are what make them successful.

3. They are vastly different from each other. They try to be. If two Southeastern distributors, for instance, are calling on basically the same dealers, they may be presenting vastly different lines of products. Not like long-line companies.

4. The business is risky, like any other. Some long-established wholesale houses have closed their doors in recent years, some by choice. Many reps have found the agricultural field in their areas overcrowded and not rewarding enough, and have gone to other product areas.

What you see here is some of the information *I&T* distilled from the responses of 45 manufacturers' reps and wholesalers. □

'87 Looking Good

Despite the distributors' expectations or wishes as to where they expect to find their volumes in 1990, most of them found agricultural lines showing, at least in part, improvement in 1987. We asked them to cite products that showed "considerable 1987 sales improvement" and asked them to name both the product type and the manufacturer.

Most commonly mentioned were utility and industrial type products (19), followed by lawn and garden products (15), hay tools (11), cultivating and tillage lines (10), grain handling and storage equipment (9), feeding and processing equipment (7), fertilizing and spraying equipment (7), general mowers (6) and parts and attachments (5).

The request for manufacturer names produced a very wide variety of brands. Interestingly, very few of the 75 manufacturer names mentioned came up more than once. These were: Kuhn Farm Machinery (4), Brillion Iron Works (4), BEFCO, Inc. (3), Taylor/Pittsburgh (2), Hudson Bros. (2), Worksaver (2) and Kuker (2).

And looking not so good. We also asked the distributors to identify product areas that experienced notable declines in 1987. We didn't ask for manufacturer names this time.

About one distributor in four didn't have any bad news to report in this regard, or at least didn't share any. Among those who did, these product groups were mentioned more than once: Tillage (12), utility and industrial lines (6), spraying equipment (5), grain handling and storage lines (4), lawn and garden (4) and hay tools (3).

Right, some of the product areas that had provided volume improvements for some were down for others. Those who cited reasons for the declines mentioned the farm economy and conservation reserve programs most often, in context with tillage and grain equipment declines.

Some of the distributors who experienced gains in tillage equipment lines explained that it was because theirs was a product that cut down on traditional tillage work, or that farmers had at last worn out their tillage tools.

Aiming at '88

If you sell for a living, it helps to be optimistic. Maybe it's essential. *I&T* asked the distributors to mention which products among those they now handle were likely to have substantial sales improvement in 1988.

The product types that had been strong in 1987 and also the disappointing ones were seen as having a bright year ahead. Thus, lawn and garden and related outdoor power equipment lines were mentioned most often (17), followed by industrial and utility equipment (16) and tillage equipment (16). Interestingly, the tillage equipment types mentioned were usually conservation-oriented and less power-consuming.

Haying equipment had a strong outlook (13 mentions), followed by drills, planters and seeders (10) and spraying equipment (8). Six respondents didn't expect any 1988 improvements.

As for specific manufacturers, there was again a wide variety of names mentioned, but it was not a duplicate of the names that had been cited for 1987 sales improvements. The ones mentioned by more than one distributor, however, were much the same as the 1987 ones: Brillion (5), Kuhn (4), BEFCO, Inc. (4), Farmhand (3), Taylor/Pittsburgh (3), Worksaver (3), Polymark Beaver (3), Kelley & Sons (2), Great Plains Industries (2), Kioti Tractors (2), Du-Al (2) and Dixie Chopper (2).

As of September, distributors were generally open to taking on new product lines in 1988. Two out of three said they were looking for some specific type of product to handle; some even knew whose line they would be handling that they don't carry now.

The distributors' product areas of interest were mainly commercial mowers, consumer trailers, light industrial lines, rotary cutters, tillage items, and hay tools.

Here, some new manufacturer names came up: Rousseau mowers, Parkhurst trailers, Martl disk mowers, Kett moisture testers, Atlas mowers, Brown tree cutters, and KMC tillage. Familiar names included Worksaver disks, Koyker augers and C.C. Kelley industrial lines.

INDUSTRY UPDATE

Another Strong Month for Big Tractor Movement

September U.S. retail sales of farm equipment, according to the flash report of the Farm & Industrial Equipment Institute, featured the third straight month of increases for tractors over 100 horsepower, plus a strong improvement in combine sales. Case IH programs to dispose of old inventory in the big tractor hp brackets was said by many observers to be the prime reason for the increases. Sales of tractors under 100 hp were down.

Unit Retail Sales

Equipment	September 1987	September 1986	% Change	January - September 1987	January - September 1986	% Change
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 hp	4,526	4,557	(.7)	48,382	49,348	(2.0)
40 & Under 100 hp	2,294	2,577	(11.0)	22,334	23,312	(4.2)
100 & Under 140 hp	752	267	181.6	3,596	3,875	(7.2)
140 hp & Over	1,893	474	299.4	7,645	7,037	8.6
Total 2-Wheel Drive	9,465	7,875	20.2	81,957	83,572	(1.9)
4-wheel Drive						
Under 200 hp	48	25	92.0	352	382	(7.9)
200 hp & Over	99	100	(1.0)	655	941	(30.4)
Total 4-Wheel Drive	147	125	17.6	1,007	1,323	(23.9)
Total Farm Wheel Tractors	9,612	8,000	20.2	82,964	84,895	(2.3)
Combines (Self-Propelled)	1,383	950	45.6	3,871	5,146	(24.8)
Balers (Bales under 200 lbs)	389	556	(30.0)	4,706	5,033	(6.5)
Forage Harvesters (Shear Bar Type)	411	389	5.7	1,739	1,505	15.5
Mower Conditioners	853	1,126	(24.2)	9,780	9,367	4.4

These data are, in part, estimates which are subject to revisions when final detail data become available. Because of the seasonal nature of the industry, comparisons of monthly data from one period to another should be done with extreme caution. These data represent most, but not all of the manufacturers in each product category being sold at retail in the 50 states and the District of Columbia.

Case-Hesston Venture: "Hay & Forage Industries"

Hesston Corp. and Case IH have announced completion of the formation of a joint venture for the design and production of hay and forage equipment.

The joint venture, owned equally, is to be called Hay & Forage Industries.

FEMA Establishes 'No-Recourse' Financing

The Farm Equipment Manufacturers Assn. and First National Leasing, an affiliate of First National Bank, Omaha, Neb., have jointly established a non-recourse financing program for dealers in selling FEMA member companies' products.

According to FEMA, the program offers retail financing up to five years at fixed or variable rates of interest, as well as a leasing plan. Credit applications will be available to dealers from participating FEMA member firms.

Dickey-john Earns $2.26 Million for 1987

Dickey-john Corp., Auburn, Ill., has reported earnings of $2.26 million in fiscal 1987, ended June 30, on sales of $30.98 million.

INVENTORY WATCH

WHAT'S HAPPENING TO STOCKPILES IN RELATION TO SALES.

Equipment	Inventory Levels Aug. 31, 1986	Mar. 31, 1987	Apr. 30, 1987	May 31, 1987	June 30, 1987	July 31, 1987	Aug. 31, 1987	12-Month Sales, Sept. 1, 1986 Aug. 31,1987
Tractors								
Under 40 hp	52,872	70,311	70,672	66,936	61,855	61,675	60,991	60,712
40-99 hp	25,417	22,949	22,706	22,032	20,834	20,644	20,464	30,151
100 hp and over	16,783	12,561	12,203	11,893	11,952	11,940	9,329	12,687
Four-wheel drive	2,372	1,592	1,494	1,479	1,480	1,469	1,415	1,692
Total Tractors	97,444	107,413	107,075	102,340	96,121	95,728	92,199	104,410
S-P Combines	6,037	4,994	5,186	5,574	6,104	5,871	5,893	5,952

Source: Farm & Industrial Equipment Institute